
Department of Insurance and Securities Regulation

FY 2002 Proposed Operating Budget:

\$9,377,212

FY 2002 Proposed Capital Budget:

\$0

The Department of Insurance and Securities Regulation (DISR) provides regulatory supervision of the insurance and securities businesses for the protection of the people of the District of Columbia. The agency goal focuses on creating an environment that will attract and retain national and international insurance firms and other financial service businesses to the District.

The FY 2002 proposed operating budget is \$9,377,212, an increase of \$2,018,015 over the FY 2001 approved budget.

The Department of Insurance and Securities Regulations ensures that all insurance companies, insurance agents and brokers, health maintenance organizations, risk retention groups, securities businesses, securities brokers, dealers, and agents, and investment advisers comply with the insurance and securities laws and regulations of the District of Columbia. A secondary mission, but very important, is to promote the District as a national and international center for the sale of insurance and other financial products to a worldwide market.

Budget Summary

The proposed FY 2002 operating budget from all funding sources is \$9,377,212, an increase of \$2,018,015 or 27.4 percent over the FY 2001 approved budget (table SR0-1). There are 103 full-time equivalent (FTE) positions supported by this budget, an increase of 14 FTEs over the FY 2001 approved level (table SR0-2). The agency

receives all its funding from sources other than local dollars.

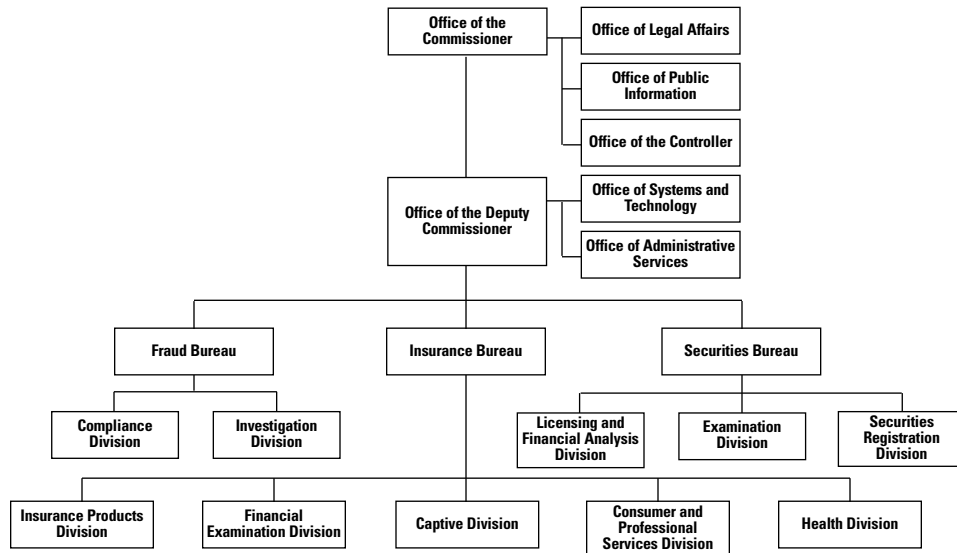
Strategic Issues

The main goals of DISR are as follows:

- Ensure that companies selling insurance and securities in the District are financially solvent and can meet their obligations to their customers.
- Ensure that customers of these companies receive fair and honest treatment and have a full understanding of what they are purchasing.
- Ensure that the market for these products is open and competitive so that citizens can have the widest possible range of choices at the best possible prices.
- Ensure that the District has the most modern and appropriate laws and regulations of any jurisdiction.
- Ensure that the District has a fully qualified and well-managed staff providing fair, efficient, and fast regulatory decisions.

Figure SR0-1

Department of Insurance and Securities Regulation



- Ensure that the District has an aggressive marketing outreach effort to attract and retain financial service businesses.

FY 2002 Initiatives

- Increase the number of domestic companies operating in the District from 22 to 30, including captive insurance companies.
- Increase the local revenue from premium taxes over the current \$32 million a year.
- Increase the amount of revenue from securities fines and fees over the current \$3 million a year.

Agency Background

In response to public outrage over unsound business practices in the insurance industry's early development, Congress created the District of Columbia Department of Insurance in 1901. The Office of Securities was established in 1965 within the District of Columbia Public Service Commission to administer the D.C. Securities Act of 1964. This act addressed regulatory gaps in the jurisdiction of the Federal Securities and Exchange

Commission. The purpose in both instances was to protect the public from unscrupulous insurance and securities professionals and from insolvent companies and brokers and dealers.

Several transformations occurred in the offices over time, which diminished and obscured their missions. In 1997, the District of Columbia Council and the Mayor recognized the magnitude of the insurance and securities industries and their potential for economic development. Together, they created the Department of Insurance and Securities Regulation, through enactment of the Department of Insurance and Securities Regulation Establishment Act of 1996. This law removed the Insurance Administration from the Department of Consumer and Regulatory Affairs, and the Office of Securities from the Public Service Commission, combining their responsibilities in the new Department of Insurance and Securities Regulation.

Programs

Figure SR0-1 shows the four programs that make up DISR. Their responsibilities are described below.

Table SR0-1

FY 2002 Proposed Operating Budget, by Comptroller Source Group

(dollars in thousands)

Department of Insurance and Securities Regulation

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Regular pay - Cont. Full Time	4,011	4,978	6,410	1,433
Regular Pay - Other	8	0	0	0
Additional Gross Pay	151	15	15	0
Fringe Benefits	652	802	1,044	243
<i>Subtotal Personal Services (PS)</i>	<i>4,823</i>	<i>5,794</i>	<i>7,470</i>	<i>1,675</i>
Supplies and Materials	39	40	55	15
Communications	28	60	70	10
Rentals - Land and Structures	674	772	825	53
Other Services and Charges	266	327	445	118
Contractual Services	162	150	193	43
Subsidies and Transfers	113	100	110	10
Equipment and Equipment Rental	322	116	211	95
<i>Subtotal Nonpersonal Services (NPS)</i>	<i>1,603</i>	<i>1,565</i>	<i>1,908</i>	<i>343</i>
Total Proposed Operating Budget	6,426	7,359	9,377	2,018

Table SR0-2

FY 2002 Full-Time Equivalent Employment LevelsDepartment of Insurance and Securities Regulation

	Actual FY 2000	Approved FY 2001	Proposed FY 2002	Change from FY 2001
Continuing full-time	81	89	103	14
Term full time	2	0	0	0
Total FTEs	83	89	103	14

The Department of Insurance and Securities Regulation is organized into four programs: the Administration, Insurance Bureau, Securities Bureau, and Fraud Bureau. The Administration and its costs are allocated proportionately among the other three programs and provides the overall executive direction and the financial support of the agency. It comprises 33 FTEs in seven offices: the Office of the Commissioner, Office of the Deputy Commissioner, Office of Legal Affairs, Office of

the Controller, Office of Public Information, Office of Systems and Technology, and the Office of Administrative Services.

Administration develops policies; provides legal guidance in insurance, managed care, and securities issues; provides direction on financial management issues; educates the public; reviews and evaluates departmental performance; and makes recommendations to the Mayor and the Council on modifications of the insurance and securities laws.

The **Insurance Bureau** regulates insurance companies, mediates disputes between insurers and consumers, conducts financial analysis reviews and examinations of insurance companies and health maintenance organizations, and reviews and approves premium rates and policy forms.

The bureau comprises 42 FTEs and five divisions: the Financial Division, Insurance Products Division, Consumer and Professional Services Division, Health Division, and Captive Insurance Division.

The **Fraud Bureau**, originally under the Insurance Bureau, was elevated to bureau status after the enactment of the District of Columbia Insurance Fraud Prevention and Detection Amendment Act of 1998 and in direct response to citizen concerns about the cost of fraud. The Bureau is charged with protecting the interests of citizens doing business in the insurance and securities industries from the direct or indirect effects of fraudulent insurance or securities acts. It is empowered to conduct investigations of suspected fraudulent insurance and securities activities and to make referrals to the appropriate authority for criminal or civil actions against perpetrators. The Fraud Bureau comprises 10 FTEs and two divisions: the Compliance Division and Investigative Division.

The **Securities Bureau** is responsible for the licensing, regulation, and monitoring of broker-dealers and agents, investment advisers and their representatives and agents of issuers. Under the newly enacted Securities Act of 2000, the bureau is now also responsible for registration and regulation of securities issuance that are offered to citizens in the District. The Securities Bureau comprises 18 FTEs and three divisions: Securities Issuance, Licensing and Analysis, and Examination.

Funding Summary

The proposed FY 2002 operating budget for DISR is \$9,377,212 and is funded entirely with O-type revenues. The funding level represents an increase of \$2,018,015 over the FY 2001 approved budget of \$7,359,197 and is due primarily to a modification in funding requirements in order to comply with the DC Securities Act and the Captive Insurance Act of 2000. Refer to the FY 2002 Operating Appendices (bound separately) for details.

Trend Data

Table SR0-3 and figure SR0-2 show expenditure and employment histories for FY 1998–FY 2002.

Agency Goals and Performance Measures

Goal 1. Provide fair, efficient, and fast regulatory supervision of the insurance and securities businesses.

Citywide Strategic Priority Areas: Promoting economic development; Making government work

Manager: Thomas Hampton, Deputy Commissioner/Operations

Supervisor: Lawrence H. Mirel, Commissioner

Measure 1.1: Number of fraud investigations completed

	1999	2000	Fiscal Year 2001	2002	2003
Target	N/A	83	104	124	TBD
Actual	N/A	99	-	-	-

Measure 1.2: Number of consumer complaints processed

	1999	2000	Fiscal Year 2001	2002	2003
Target	N/A	1,243	764	890	980
Actual	N/A	635	-	-	-

Measure 1.3: Number of insurance and securities forms submitted electronically through agency's web site

	1999	2000	Fiscal Year 2001	2002	2003
Target	N/A	N/A	500	1,200	1,300
Actual	N/A	63	-	-	-

Measure 1.4: Number of community outreach and education events

	1999	2000	Fiscal Year 2001	2002	2003
Target	N/A	N/A	6	10	TBD
Actual	N/A	N/A	-	-	-

Goal 2. Create conditions to attract and retain national and international insurance and other financial companies.

Citywide Strategic Priority Area: Promoting economic development

Manager: Lawrence H. Mirel, Commissioner

Supervisor: Eric Price, Deputy Mayor

Measure 2.1: Number of insurance and insurance-related jobs in the District (estimate)

	1999	2000	Fiscal Year		
			2001	2002	2003
Target	N/A	N/A	11,500	13,000	TBD
Actual	N/A	10,000	-	-	-

Measure 2.2: Domestic insurance companies conducting business, including captive insurance companies, in the District of Columbia (cumulative total)

	1999	2000	Fiscal Year		
			2001	2002	2003
Target	N/A	N/A	25	30	35
Actual	N/A	22	-	-	-

Measure 2.3: Amount of tax revenue received from the insurance industry (millions of dollars)

	1999	2000	Fiscal Year		
			2001	2002	2003
Target	N/A	32.0	33.0	35.0	TBD
Actual	N/A	31.7	-	-	-

Measure 2.4: Amount of revenue received from the securities industry (millions of dollars)

	1999	2000	Fiscal Year		
			2001	2002	2003
Target	N/A	N/A	4.0	5.5	7.1
Actual	N/A	3.1	-	-	-

Figure SR0-2

DISR Employment Levels, FY 1998–Proposed FY 2002

(gross FTEs)

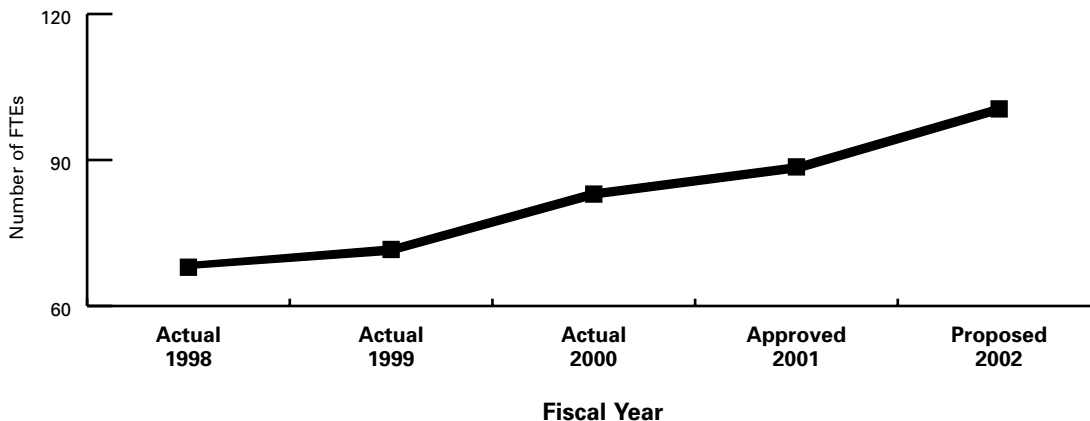


Table SR0-3

FY 2002 Proposed Operating Budget, by Revenue Type

Department of Insurance and Securities Regulation

	Actual FY 1998	Actual FY 1999	Actual FY 2000	Approved FY 2001	Proposed FY 2002
Local	35	0	0	0	0
Other	4,429	4,972	6,426	7,359	9,377
Gross Funds	4,464	4,972	6,426	7,359	9,377